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HEADLINE: U.S. Tobacco: Everything But Cigarettes

BODY:

At a tension-packed New York Yankee-Boston Red Sox baseball game last summer, Chairman and President Louis F. Bantle of U.S. Tobacco Co. couldn't help smiling when he noticed a fan's banner reading: "Carlton Fisk Chews." To Bantle, it was evidence that this company's advertising was getting across. U.S. Tobacco sells moist, smokeless, fine-cut tobacco -- or snuff -- and, aided by television spots featuring All-Star Red Sox catcher Fisk and other athletes, it has steadily enlarged a market that many onlookers believed could never extend much beyond the Midwest.

U.S. Tobacco's snuff, not to be confused with the powder breathed into the nose, is fine-cut Kentucky tobacco. It is sold in small tins and the user Press <ESC> for Local Help

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Bantle places a pinch between his cheek and gum to enjoy the tobacco flavor. Bantle expects to sell 20 million pounds in 1977. While a part of the tobacco-in-the-mouth market, snuff is not in the same class as chewing tobaccos such as loose-leaf, plug and twist.

The market is a lucrative one indeed for U.S. Tobacco. Last year, the Greenwich, Connecticut-based firm recorded its sixteenth consecutive year of record profits with earnings of \$19.4 million, or \$2.25 a share; for this year, analysts are projecting \$2.80 a share. Sales last year came to \$166.3 million, a 16.5% increase over 1975 and an 11.6% compound growth since 1972, when UST began advertising in earnest.

Although UST began diversifying in the mid-1960s into pet food and wine, its mainstay remains moist smokeless tobacco -- sold under the Copenhagen, Skoal and Happy Days brand names. In 1976, these accounted for \$70.8 million, or 45.6%, of total UST sales and more than 90% of the total U.S. fine-cut tobacco market.

An estimated seven million consumers buy UST moist smokeless tobacco products.

"Our products are big in any industry where the employee has to use his hands and can't smoke," says Bantle. This includes coal miners, steelworkers, Press <ESC> for Local Help

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lumberjacks, farmers and oil-rig operators. The highest per-capita consumption is in western Pennsylvania, where Copenhagen was first introduced in 1822. The fastest developing market is the Southwest, where fine-cut, smokeless tobacco consumption has increased 177% in five years, mostly among youths. "In Texas today, a kid wouldn't dare go to school, even if he doesn't use the product,

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without a can in his Levi's," says Bantle

PHILIP MORRIS COMPANIES INC.

INTER-OFFICE CORRESPONDENCE

Today, he has set his sights on the Southeast, an area where purchases of UST's smokeless tobacco products have increased 99% in five years.

Bantle's toughest task is to convince the uninitiated to try the product. Since any form of chewing tobacco takes some getting used to and its consumption is not very attractive, the process of convincing takes patience. "It really gets down to the basic one-on-one with this type of product," Bantle says -- that is, a user will enroll a non-user. He points out, however, that smokeless tobacco can turn a person off quickly should he not know how best to enjoy the product.

To prevent this, UST tries to educate newcomers through its advertising. Television spots emphasize the use of just a pinch of tobacco. Print advertisements go a bit further and offer free samples and how-to-booklets. UST has also made chewing more palatable for newcomers with its newer and milder Press <ESC> for Local Help

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brands, Skoal and Happy Days.

Bantle has a successful habit of finding niches within and outside the tobacco industry. Take imported pipe tobaccos. In the last 60s, UST arranged with the Swedish Tobacco Co. to import and sell its Borkum Riff brand in the Western Hemisphere. At the time, Douwe Egbert's Amphora pipe tobacco from the Netherlands was the best-selling imported brand. Backed by a national advertising campaign, Borkum Riff took away that honor in no time. Douwe Egbert, says Bantle, did little to spur consumer demand for Amphora and concentrated on selling solely to wholesalers. Two years ago, Bantle also won the right to market Amphora in the Western Hemisphere, and last year UST sold \$22.8 million worth of the two imported brands.

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In the non-tobacco area, UST managed to eke out sales gains last year for its Cadillac Pet Foods, which contributed 10.7% of sales. "We had a rough time when raw materials went through the roof along with tinplate and tin cans... It costs you more for the cans than for the raw materials," says Bantle.

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Bantle also is optimistic about the future of his company's St. Michelle wine, the only nationally distributed wine from the state of Washington. Wine sales doubled in 1976, but are still very modest.

Ironically, the only area in which Bantle hasn't met with success is the one in which most tobacco companies are successful: cigarettes. It September, UST dropped its line of King Sano cigarettes, a brand introduced as the first low-tar cigarette in the early 1950s. Sano's taste never quite made it. The last all-out promotional effort for the brand, emphasizing the purchase of a carton to get used to the taste, ended in failure. "People would buy a carton, smoke part of a pack and return the rest for the advertised refund," reports Bantle.

GRAPHIC: Picture, Bantle: A master at picking niches, Ross & Weiss.

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